

## Independent Auditor's Report

Board of Selectmen  
Town of Harpswell, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of and for the year ended December 31, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Harpswell, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of December 31, 2006, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2007 on our consideration of the Town of Harpswell, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The additional information included in Exhibits A-1 through B-2, and Schedule 1, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Harpswell, Maine. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 5, 2007  
South Portland, Maine

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis**  
**For the year ended December 31, 2006**

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As management of the Town of Harpswell, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2006. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

**Financial Highlights**

- ❖ Total assets of the Town of Harpswell exceed its liabilities by \$7,812,049. Total assets include the costs of the 2004 capital roads project which was completed in 2006 and progress payments made in 2006 relating the 2006 capital roads project. Total assets exclude the remainder of the Town's infrastructure assets. This infrastructure, primarily roads, will be included in the Town's 2007 financial statements.
- ❖ The Statement of Activities shows an increase in net assets of \$582,073 for the fiscal year. In addition to the 2006 capital road project referred to above which increased net assets by \$262,361, the Town experienced an increase in taxes receivable of \$120,869, resulting from a combination of higher tax rates and slightly less favorable collection rates. The Town also ended the year with higher cash balances as a result of both higher tax rates and higher levels of miscellaneous revenue, primarily interest earned on cash balances, fees generated at the Town's transfer station and revenues from the sale of certain recyclable materials.
- ❖ During 2006, the Town repaid \$365,833 of the principal of its long-term debt and borrowed \$350,000 to fund in part its 2006 capital roads project.
- ❖ The ending fund balance for all governmental funds is \$3,840,111.
- ❖ The ending fund balance for the general fund is \$3,629,180, an increase of \$141,729 over the previous year. Of this balance, \$446,825 is designated for on-going projects. This leaves an undesignated balance of \$3,182,355, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain an undesignated fund balance of 3 times the average of the previous year's monthly expenditures. In addition to its general funds, the Town has a fund designated for capital projects, and two funds for its special revenue activities. During 2006, the fund designated for capital projects increased from \$18,997 to \$155,625 as the 2004 capital road project was completed and the 2006 was partially completed.

**Overview of Financial Statements**

The Town of Harpswell's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *government-wide financial statements* provide a broad overview of the Town of Harpswell's finances, in a manner similar to private-sector business. Financial information is presented in two statements – *statement of net assets* and *statement of activities*.

The *statement of net assets* presents information about the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information about how the Town's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Harpswell that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town of Harpswell include general government, public works (roads, solid waste disposal), protection and safety (law enforcement, fire protection), health and welfare, culture and recreation, debt service and capital planning expenses.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Harpswell, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Harpswell maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The Town of Harpswell adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-30 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 33-43 of this report.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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***Statement of Net Assets Information***

The following information is a condensed version of the Statement of Net Assets.

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets:</b>		
Current & other assets	\$ 4,135,835	\$ 3,740,607
Capital assets	6,124,734	5,884,362
<b>Total Assets</b>	10,260,569	9,624,969
<b>Liabilities:</b>		
Long-term debt outstanding	(2,310,834)	(2,326,667)
Other liabilities	(137,686)	(73,082)
<b>Total Liabilities</b>	(2,448,520)	(2,399,749)
<b>Net Assets:</b>		
Invested in capital assets, net of debt	4,167,025	3,909,495
Restricted	181,435	26,767
Unrestricted	3,463,589	3,288,958
<b>Total Net Assets</b>	<b>\$ 7,812,049</b>	<b>\$ 7,225,220</b>

The Town's Total Net Assets increased by \$582,073 during 2006. Increases in assets of approximately \$635,000 were offset by increases in liabilities of approximately \$ 49,000. Asset increases included increases in cash balances resulting from higher levels of interest income and certain other non-property tax revenues. Taxes receivable also increased as a result of a higher tax rate and a slightly decreased collection rate. Capital Assets increased as a result of the Town's 2006 capital road project.

Long-term Debt obligations decreased during 2006 by \$15,833 as scheduled principal repayments were offset by a new borrowing in the amount of \$350,000 for the 2006 capital road project.

53% of the Town's Net Assets at December 31, 2006 is represented by its capital assets less any debt outstanding that was used to acquire those assets. Although the Town's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A small portion of the 2006 Net Assets is restricted for Capital Projects, grants and recreation programs. The increase during 2006 reflects the 2006 capital road project which has been only partially completed.

Unrestricted Net Assets includes amounts designated to be expended for certain purposes in subsequent years.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

***Statement of Activities Information***

The following information is a condensed version of the Statement of Activities.

**Town of Harpswell**  
**Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
Revenues:		
Program Revenues:		
Charges for services	\$ 235,933	\$ 227,394
Operating grants & contributions	122,926	134,374
General Revenues:		
Property and excise taxes	10,851,395	10,625,102
Subsidies, grants & entitlements	237,718	266,974
Interest earned	123,474	49,512
Other	248,850	466,527
Total revenues	\$ 11,820,296	\$ 11,769,883
Expenses:		
General government	1,193,679	1,114,356
Public works	863,947	834,654
Protection and safety	683,886	629,084
Health and welfare	26,119	28,783
Culture and recreation	247,847	238,216
Education	6,998,238	6,714,259
County taxes	840,931	739,377
Overlay/abatements	70,049	67,035
Interest on long-term debt	144,372	131,082
Capital and special projects	169,155	237,915
Total expenses	11,238,223	10,734,761
Change in net assets	582,073	1,035,122
Net assets, beginning of year, as restated	7,229,976	6,190,098
Net assets, end of year	\$ 7,812,049	\$ 7,225,220

**Governmental Activities**

Governmental activities increased the Town's net assets by \$582,073. Total program revenues were essentially flat on a year to year basis, as small increases in charges for services were offset by decreases in grants and contributions. In the public works area, revenues increased by approximately \$16,000. Fees generated at the transfer station increased as a result of increased volumes. Sales of recyclable materials benefited from higher prices on metals and newspaper. Finally, sales of reclaim and wood chips were at higher levels in 2006 than 2005. Offsetting these increases was a \$6,000 decrease in recreation fees attributable to a change in the scheduling of the department's ski program. With respect to operating grants and contributions, the State of Maine continued to decrease its support of programs in the areas of small community grants and grants for overboard discharge. Reimbursements from the State of Maine relating to the Town's general assistance program decreased as the Town experienced a decrease in requests under this program.

Property tax revenue increased as the property tax base expanded. Revenue sharing funds received from the State of Maine continued to decline. Interest earned increased as a result of higher average balances and a higher interest rate. The decline in other revenues largely reflects the donation in 2005 of \$282,700 in land and buildings at Mitchell Field.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Please note that the format differs from that of the Statement of Revenues, Expenditures, and Changes in Fund Balance. Expenses for each activity are listed in the left-most column with revenues generated by that particular activity reported to the right. Subtracting one from the other results in a Net (Expense)/Revenue. This format provides information about the relative financial burden on the Town's taxpayers of each activity. It should be noted, however, that while these revenues may be generated by specific activities, the Town does not have dedicated revenue sources. Accordingly, revenues from specific activities are deposited to the Town's general fund, as are all tax payments received. From this fund, the Town makes all its expenditures.

Examples of activities which produce some level of revenue are:

<i>Public works</i>	Transfer Station fees and recycling revenues Local Road Assistance
<i>Health and welfare</i>	General Assistance state reimbursement
<i>Cultural and recreational</i>	Fees for recreation programs
<i>Capital and special projects</i>	Grants for restricted projects

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

***Net Cost of Governmental Activities***

The following information is a breakdown of each of the Town's major functional activities.

**Town of Harpswell**  
**Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Function / Program</b>				
General government	\$ 1,193,679	\$ 1,114,356	\$ 1,193,679	\$ 1,114,356
Public works	863,947	834,654	617,398	603,364
Protection and safety	683,886	629,084	683,886	629,084
Health and welfare	26,119	28,783	22,319	21,191
Culture and recreation	247,847	238,216	213,163	196,812
Education	6,998,238	6,714,259	6,998,238	6,714,259
County taxes	840,931	739,377	840,931	739,377
Overlay/abatements	70,049	67,035	70,049	67,035
Interest on long-term debt	144,372	131,082	144,372	131,082
Capital and special projects	169,155	237,915	95,329	156,433
<b>Total governmental activities</b>	<b>\$ 11,238,223</b>	<b>\$ 10,734,761</b>	<b>\$ 10,879,364</b>	<b>\$ 10,372,993</b>

Total Cost of Services and Net Cost of Services increased from 2005 to 2006 by 4.69% and 4.88%, respectively. Most of these increases results from the increased assessments made by MSAD #75 and by Cumberland County, which in turn reflect the increase in the Town's valuation. Interest on long-term debt increased as a result of amounts borrowed on a short-term basis in 2006.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As of December 31, 2006, the Town's governmental funds balance totaled \$3,840,111.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the Town as a whole is reflected in its governmental funds.

**Governmental funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets and liabilities as fund balances. Reserved amounts reflect that which is not available to be spent while undesignated amounts reflect amounts that are.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's General Fund fund balance increased 4% from \$3,487,451, as restated, in 2005 to \$3,629,180 in 2006. The increase of \$141,729 in the 2006 General Fund fund balance was attributable to actual revenues exceeding expenses by \$345,583 plus a \$3,401 transfer from grants, less the use of \$200,000 for the 2006 capital roads project and \$7,255 for recreation programming. In addition, \$204,000 of undesignated fund balance was approved by the 2006 Town Meetings to be used for the following purposes: \$150,000 to reduce the tax commitment, \$50,000 to fund the withdrawal process from MSAD # 75, and \$4,000 for a salary survey of elected positions. Consistent with the Town's policy of maintaining three months of expenses in its year-end General Fund fund balance, the 2006 year-end level will allow use of \$250,000 in 2007 to reduce the tax commitment and to fund a capital reserve set aside account.

**Revenues.** During 2006, the Town benefited from favorable interest rates and higher average balances to the extent that interest earnings were up 149% from the prior year (\$49,512 to \$123,474). Transfer Station fees and sales of recycled materials continued to generate significant revenue. The total of these revenues increased 18% due to receipt of slightly higher volumes at the Transfer Station and improved market prices for scrap metal and recycled newspaper. In 2006 the Town levied one of its largest fines for a land use violation in the shoreland zone which amounted to \$20,000. In the aggregate, fees generated 19% more revenue than anticipated, primarily in the areas of building and plumbing permits, Planning Board applications, moorings registrations and late registration of dogs. The highest single source of non-property revenue, the excise tax, remained relatively flat as the rising price of gas contributed to lower demand for new or expensive vehicle models which traditionally generates a greater annual increase in excise revenue than what was experienced between 2005 and 2006. Also, as predicted, the Town received less Revenue Sharing from the State of Maine (\$169,969 in 2006 compared to \$202,629 in fiscal year 2005) as more of that revenue stream is provided to service center communities.

**Unexpended Appropriations.** Notable unexpended appropriation lapses to the 2006 general fund occurred in the areas of general government, assessing, legal, planning, recycling, harbormaster, and shellfish operations. With respect to general government, the 2006 budgeted appropriation contemplated a Deputy Town Administrator being hired in the beginning of the second quarter. Ultimately, the position was filled in late August. The budgeted part-time position in assessing was able to be covered by the current Codes Enforcement Officer secretary and therefore those funds did not need to be expended. General legal expenses were controlled because the Town did not have to defend itself against a lawsuit in 2006. In the one case of litigation where the Town brought suit, all legal fees were covered by the defendant pursuant to the settlement agreement. With regard to planning, the Town deferred selection of a consultant for the Mitchell Field Planning process and will carry forward \$5,000 for those services in 2007. With volumes remaining relatively flat at the Recycling Center and Transfer Station, anticipated increases in disposal costs were not incurred. The Harbormaster did not find it necessary to move a major number of moorings in Mackerel Cove as had been anticipated and therefore the Town did not need to expend those funds. Finally, due to the changeover of personnel relative to marine patrol, Cumberland County refunded the Town \$15,000 because it was unable to provide the contractual coverage that the Town expected.

**Overlay.** As there were still many abatement cases in process that related to the 2005 revaluation, the Town budgeted \$164,673 in overlay, expended \$70,049 with the remaining \$94,624 lapsing to the general fund.

**Contingency.** The use of contingency was relatively limited in 2006. There were only three areas of the 2006 budget that exceeded appropriated amounts: (1) \$9,875 to complete Field Road which was part of the 2004 Capital Road

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

Reconstruction Project; (2) \$187 to cover the general law enforcement contract with Cumberland County and (3) \$3,703 to pay for advance life support intercept services provided by Midcoast Hospital in Brunswick.

Harpswell maintains a healthy General Fund fund balance fund balance that is used to fund first quarter expenditures until such time as a tax anticipation note is needed to fund expenditures up to the time when property tax revenue is collected.

The annual Town Meeting, which is held in March of each year, votes on the budget as recommended by the Selectmen for the upcoming year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of 2006, the Town had \$6,137,966 net investment in capital assets (excluding infrastructure invested in before 2005), and outstanding debt of \$2,310,834. \$197,500 of the outstanding debt was borrowed to finance Town-wide revaluations in 1997 and 2004, and to contribute to the Harpswell Heritage Land Trust. The remainder of the debt was borrowed to acquire, build or renovate land, buildings and equipment at the Town offices and the Town's solid waste facility.

**Town of Harpswell**  
**Capital Assets, net of depreciation**

	<b>Capital Assets</b>		<b>Accumulated Depreciation</b>		<b>Capital Assets, net of depreciation</b>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 1,980,461	\$1,980,461	\$ -	\$ -	\$1,980,461	\$ 1,980,461
Construction in progress	262,361	560,658	-	-	262,361	560,658
Buildings and building Improvements	4,023,632	4,023,632	(1,127,348)	(993,176)	2,896,284	3,030,456
Equipment and furniture	594,662	618,249	(313,587)	(305,462)	281,075	312,787
Infrastructure	711,669	-	(7,117)	-	704,552	-
<b>Total capital assets</b>	<b>\$ 7,572,785</b>	<b>\$7,183,000</b>	<b>\$ (1,448,052)</b>	<b>\$ (1,298,638)</b>	<b>\$6,124,733</b>	<b>\$ 5,884,362</b>

During 2006, the Town completed its 2004 capital road project at a total cost of \$711,669. At the end of 2005, progress payments relating to this project which totaled \$560,658 were included in construction in progress. The Town undertook a new capital roads project in 2006, \$413,372 was expended in 2006 and \$262,361 remained in construction in progress at year-end. There were no other significant additions to capital assets during the year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town of Harpswell is predominantly a residential and seasonal community. The Town does not have any significant commercial or industrial sector to support the cost of municipal government. The presence of a large number of seasonal homes, most of which are owned by nonresidents, provides a significant source of property tax revenue for the Town. This benefit, however, is counterbalanced by the Town's high total property valuation which has a major effect on its share of the M.S.A.D. # 75 budget and that of the Cumberland County budget as well.

Despite the planned closing in 2011 of Brunswick Naval Air Station, which is located in an adjacent community, the regional economy at this time appears relatively strong with major retail development continuing to occur at a rapid rate in Topsham and Brunswick. The announcement of the military base closure has not had a drastic effect thus far on real estate values in Harpswell, particularly the waterfront market which continues to command high prices. However, the softening of the housing market nationally and regionally (New England and Maine) appears to be slowing down the rapid rate at which housing prices have been escalating which will ultimately reduce the rate at which overall property values of the Town will increase.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES, CONTINUED**

Due to continuing dissatisfaction with Harpswell's share of the M.S.A.D. # 75 budget, voters approved, in late January of 2006, the creation of a statutory Withdrawal Committee that negotiated with M.S.A.D. # 75 on the terms of an eventual withdrawal. The Harpswell Withdrawal Committee submitted a proposal to the Commissioner of Education that was rejected because the proposal had not been reached in agreement with M.S.A.D. # 75. Subsequently, the Selectmen received a citizen-initiated petition calling for the withdrawal effort to be terminated.

That item is scheduled to be voted on in March of 2007. In the meantime, the Governor has proposed a major consolidation plan that would put Harpswell in a mandatory school district with the other towns of M.S.A.D. # 75, as well as with Brunswick and Freeport. While the consolidated effort could mean savings to Harpswell, particularly in the area of administration, the details and effects of the Governor's proposal are not well understood or demonstrated at this early stage. In addition, the State's Essential Programs and Services funding model is based on valuation which causes Harpswell to be a minimum receiver of State assistance for education. In fact, it was only because of special legislation enacted in 2006 that Harpswell will continue to receive State reimbursement for its special education costs. Because educational costs impact property taxpayers so significantly, the Town intends to monitor school consolidation proposals and the potential effects on Harpswell taxpayers.

2006 was the first year that the Town of Harpswell was constrained by the LD-1 legislation which caps the amount of property tax that can be collected to fund budgets, including the municipal budget. The 2006 municipal budget did not exceed the levy limit established for Harpswell; however, it is anticipated that in 2007 voters will be asked to increase the property tax levy limit. There are primarily two new items in the proposed 2007 budget that may cause the LD-1 limit to be exceeded: (1) \$50,000 for the Holbrook Foundation to preserve a working waterfront in Cundy's Harbor and (2) \$135,000 for a Brush Truck to assist the Town with its emergency services operations. By being less conservative in its practice of estimating revenues, the Town will budget approximately \$135,000 more of estimated revenues in the 2007 budget to reduce the amount of property tax that needs to be collected. The 2007 estimated revenues correlate closely to 2006 actual revenues.

The State legislature created a Working Waterfront Program that provides tax relief to certain qualified property owners of working waterfronts in Maine. Program details have just been released. The Town's early impressions are that penalties associated with the program are so severe that it is unclear how many Harpswell property owners may avail themselves of this program. Therefore it is unknown what the resulting impact on the tax rate might be.

Budget development is always predicated on a concern that not all residents of the Town have incomes that keep pace with the rate of property valuation. It is anticipated that the 2007 municipal budget will increase approximately 9% from the prior year. The State's special education reimbursement for Harpswell in 2007 (which is likely to be upwards of \$700,000), however, is expected to keep the Town's obligation to M.S.A.D. # 75 down. Because of this circumstance, 2007 is a year in which it is expected that the 9% municipal increase could be absorbed without a significant impact on the mill rate. As currently constructed, the proposed 2007 municipal budget will require voter approval to increase the LD-1 levy limit imposed on Harpswell in 2007. By using reasonable revenue estimates in 2007 and proposing the use of \$250,000 of undesignated fund balance, the extent to which the levy limit imposed by LD-1 may need to be increased is limited.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Selectmen's Office at P.O. Box 39, 263 Mountain Road, Harpswell, Maine 04079-0039 or by phone at (207) 833-5771.

**TOWN OF HARPSWELL, MAINE**  
**Statement of Net Assets**  
**December 31, 2006**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,483,569
Receivables:	
Taxes	555,686
Liens	47,954
Accounts	34,379
Prepaid items	14,247
Capital assets:	
Capital assets, not being depreciated	2,242,822
Other capital assets, net of accumulated depreciation	3,881,912
Total assets	10,260,569
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	111,724
Accrued interest	14,195
Noncurrent liabilities:	
Due within one year	490,833
Due in more than one year	1,831,768
Total liabilities	2,448,520
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,167,025
Restricted for:	
Capital projects and grants	181,435
Unrestricted	3,463,589
<b>Total net assets</b>	<b>\$ 7,812,049</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Activities**  
**For the year ended December 31, 2006**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Governmental activities:					
General government	\$ 1,193,679	-	-	-	(1,193,679)
Public works	863,947	201,249	45,300	-	(617,398)
Protection and safety	683,886	-	-	-	(683,886)
Health and welfare	26,119	-	3,800	-	(22,319)
Cultural and recreation	247,847	34,684	-	-	(213,163)
Education	6,998,238	-	-	-	(6,998,238)
County taxes	840,931	-	-	-	(840,931)
Overlay/abatements	70,049	-	-	-	(70,049)
Interest on long-term debt	144,372	-	-	-	(144,372)
Capital and special projects	169,155	-	73,826	-	(95,329)
<b>Total governmental activities</b>	<b>11,238,223</b>	<b>235,933</b>	<b>122,926</b>	<b>-</b>	<b>(10,879,364)</b>

General revenues:	
Property taxes, levied for general purposes	9,807,410
Excise taxes	1,043,985
Intergovernmental	237,718
Investment earnings	123,474
Miscellaneous	248,850
<b>Total general revenues</b>	<b>11,461,437</b>
Change in net assets	582,073
Net assets - beginning, as restated	7,229,976
<b>Net assets - ending</b>	<b>\$ 7,812,049</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2006**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,483,569	-	3,483,569
Receivables:			
Taxes	555,686	-	555,686
Liens	47,954	-	47,954
Other	34,379	-	34,379
Interfund receivables	-	216,186	216,186
Prepaid expenditures	14,247	-	14,247
<b>Total assets</b>	<b>\$ 4,135,835</b>	<b>216,186</b>	<b>4,352,021</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and payroll withholdings	95,485	-	95,485
Taxes paid in advance	10,984	-	10,984
Deferred revenues	184,000	5,255	189,255
Interfund payables	216,186	-	216,186
<b>Total liabilities</b>	<b>506,655</b>	<b>5,255</b>	<b>511,910</b>
Fund balances:			
Unreserved, reported in:			
Designated for subsequent years expenditures	446,825	-	446,825
Undesignated:			
General fund	3,182,355	-	3,182,355
Special revenue	-	55,306	55,306
Capital projects	-	155,625	155,625
<b>Total fund balances</b>	<b>3,629,180</b>	<b>210,931</b>	<b>3,840,111</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,135,835</b>	<b>216,186</b>	

Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,124,734
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	184,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds payable	(2,310,834)
Compensated absences payable	(11,767)
Accrued interest	(14,195)

**Net assets of governmental activities** **\$ 7,812,049**

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2006**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 10,844,344	-	10,844,344
Intergovernmental	290,102	-	290,102
Fines and violations	21,870	-	21,870
Miscellaneous	516,470	108,510	624,980
Total revenues	11,672,786	108,510	11,781,296
Expenditures:			
Current:			
General government	1,115,218	-	1,115,218
Public works	786,729	-	786,729
Protection and safety	680,571	-	680,571
Health and welfare	26,119	-	26,119
Cultural and recreation	191,457	41,015	232,472
Education	6,998,238	-	6,998,238
County taxes	840,931	-	840,931
Overlay/abatements	70,049	-	70,049
Debt service	511,316	-	511,316
Capital and special projects	106,575	480,278	586,853
Total expenditures	11,327,203	521,293	11,848,496
Excess (deficiency) of revenues over (under) expenditures	345,583	(412,783)	(67,200)
Other financing sources (uses):			
Proceeds from long-term debt	350,000	-	350,000
Transfers (to) from other funds	(553,854)	553,854	-
Total other financing sources (uses)	(203,854)	553,854	350,000
Net change in fund balances	141,729	141,071	282,800
Fund balances, beginning of year, as restated	3,487,451	69,860	3,557,311
<b>Fund balances, end of year</b>	<b>\$ 3,629,180</b>	<b>210,931</b>	<b>3,840,111</b>

*See accompanying notes to financial statements.*



**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the year ended December 31, 2006**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 10,867,347	10,867,347	10,844,344	(23,003)
Intergovernmental	289,897	289,897	290,102	205
Fines and violations	2,000	2,000	21,870	19,870
Miscellaneous	359,843	359,843	516,470	156,627
Total revenues	11,519,087	11,519,087	11,672,786	153,699
<b>Expenditures:</b>				
Current:				
General government	1,223,764	1,223,764	1,115,218	108,546
Public works	832,693	849,521	786,729	62,792
Protection and safety	704,137	716,423	680,571	35,852
Health and welfare	29,580	29,580	26,119	3,461
Cultural and recreation	192,016	192,016	191,457	559
Education	6,998,238	6,998,238	6,998,238	-
County taxes	840,931	840,931	840,931	-
Overlay	164,673	164,673	70,049	94,624
Debt service	513,300	513,300	511,316	1,984
Capital and special projects	186,500	443,839	92,810	351,029
Total expenditures	11,685,832	11,972,285	11,313,438	658,847
Excess (deficiency) of revenues over (under) expenditures	(166,745)	(453,198)	359,348	812,546
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt	350,000	350,000	350,000	-
Transfer to / from other funds	(357,255)	(557,255)	(553,854)	3,401
Budgeted use of undesignated fund balance	204,000	204,000	-	(204,000)
Budgeted use of carryforward balances	-	538,714	-	(538,714)
Budgeted use of contingency	(30,000)	(82,261)	(13,765)	68,496
Total other financing sources (uses)	166,745	453,198	(217,619)	(670,817)
Net change in fund balance	-	-	141,729	141,729
Fund balance, beginning of year, as restated			3,487,451	
<b>Fund balance, end of year</b>			<b>\$ 3,629,180</b>	

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements**

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**THE REPORTING ENTITY**

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The Town of Harpswell, incorporated on January 25, 1758, currently operates under a Town Meeting-Selectmen form of government with a Town Administrator as the chief administrator of the Town. The Board consists of three members elected by the registered voters for three year terms.

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. In accordance with GASBS No. 14, as amended by GASBS No. 39, the Town (the primary government) is financially accountable if it appoints a voting majority of the organizations governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The government has elected not to follow subsequent private-sector guidance. The more significant accounting policies established in GAAP and used by the Town are discussed below.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds (if any) are reported as separate columns in the fund financial statements.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental fund:

The general fund is the Town's primary operating fund and is always classified as a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Town reports several nonmajor funds in the following fund categories:

Special revenue funds are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**C. Budgetary Accounting**

Each year a budget is adopted for the General Fund only, and is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The level of control (level at which expenditures may not exceed budget) is the Town meeting warrant article level. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, portions of the General Fund fund equity can be designated for future periods by the Selectmen. A comparison of budget to actual is presented in the financial statements on Statement 6. The difference between original budget and final budget amounts represent approved carryovers from prior years.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the F.D.I.C. or collateralized by the depository institution in the Town's name. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines approved by the Board of Selectmen.

**E. Inventories of Supplies**

Inventories of supplies are considered to be expenditures at the time of purchase rather than when consumed, and are not included in the general fund balance sheet.

**F. Short-term Interfund Receivables/Payables**

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables or payables" on the balance sheet.

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide resources, construct assets and service debt. These transactions, if any, are reported as operating transfers.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. If material, interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Straight-line depreciation is used based on the following estimated useful lives:

- Buildings and building improvements – 25 and 50 years
- Infrastructure – 50 years
- Equipment, vehicles and furniture – 5 to 30 years

The Town was not required to retroactively report infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Neither their historical cost nor the related depreciation has historically been reported in the financial statements. The Town began reporting newly acquired infrastructure assets upon implementation of GASBS No. 34, as of and for the year ended December 31, 2004.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**H. Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**I. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**J. Comparative Data**

Comparative total data for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**K. Compensated Absences**

Under terms of personnel policies of the Town, vacation leave is granted in varying amounts according to length of service. No sick leave is granted at the time of employee termination. Unused vacation leave is reported in the government-wide financial statements. No expenditure is reported for this amount on the fund financial statements unless due and payable.

**L. Use of Estimates**

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**CASH AND CASH EQUIVALENTS**

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**Deposits**

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. As of December 31, 2006, the Town reported deposits of \$3,483,569 with a bank balance of \$3,560,935. None of the Town's bank balances were exposed to custodial credit risk, as \$3.5 million was collateralized by an irrevocable stand-by letter of credit, and the remainder was covered by additional insurance purchased on behalf of the Town by the respective banking institutions.

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**PROPERTY TAX**

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The Town's property taxes for the current year were committed on August 10, 2006, on the assessed value listed as of April 1 for all real and personal property located in the Town. Taxes were due on September 15, 2006 and December 15, 2006; interest was charged at 6.5% on all unpaid taxes after that date. Assessed values are periodically established by the Assessor at 100% of assumed market value. As a result of the 2005 Town-wide revaluation, the Town has a certified ratio of 100%.

The following summarizes the 2006 and 2005 levy:

	<u>2006</u>	<u>2005</u>
Assessed value:		
Real property	\$1,644,881,100	1,641,891,101
Personal property	<u>3,421,130</u>	<u>3,567,935</u>
Total valuation	1,648,302,230	1,645,459,036
Tax rate (per \$1,000)	<u>5.95</u>	<u>5.75</u>
Tax Commitment	9,807,410	9,461,402
Less: Collections and abatements	<u>(9,253,743)</u>	<u>(9,001,010)</u>
<b>Taxes receivable at December 31</b>	<b>\$ 553,667</b>	<b>460,392</b>

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$164,673 for the year ended December 31, 2006. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as deferred revenues. The difference between actual property tax revenues and budgeted property tax revenues of \$12,346, (Exhibit A-2) represents supplemental taxes for all years.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property acquired by foreclosure for nonpayment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same period are not included as part of the tax acquired property account until expiration of statutory time limits.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**INTERFUND RECEIVABLES AND PAYABLES**

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Individual interfund receivables and payables balances at December 31, 2006, were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	216,186
Special Revenue Funds:		
Restricted projects	25,810	-
Recreation	34,751	-
Capital Projects Fund:		
Road projects	155,625	-
<b>Totals</b>	<b>\$ 216,186</b>	<b>216,186</b>

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**CAPITAL ASSETS**

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Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance December 31, <u>2005</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2006</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,980,461	-	-	1,980,461
Construction in progress	560,658	413,372	711,669	262,361
Total capital assets not being depreciated	2,541,119	413,372	711,669	2,242,822
Capital assets, being depreciated:				
Buildings and improvements	4,023,632	-	-	4,023,632
Equipment, vehicles and furniture	618,249	9,146	32,733	594,662
Infrastructure	-	711,669	-	711,669
Total capital assets being depreciated	4,641,881	720,815	32,733	5,329,963
Less accumulated depreciation for:				
Buildings and improvements	993,176	134,172	-	1,127,348
Equipment, vehicles and furniture	305,462	36,037	27,913	313,586
Infrastructure	-	7,117	-	7,117
Total accumulated depreciation	1,298,638	177,326	27,913	1,448,051
Total capital assets being depreciated, net	3,343,243	543,489	4,820	3,881,912
<b>Governmental activities capital assets, net</b>	<b>\$ 5,884,362</b>	<b>956,861</b>	<b>716,489</b>	<b>6,124,734</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 81,418
Public works	77,218
Protection and safety	3,315
Cultural and recreation	15,375

**Total depreciation expense – governmental activities** \$ 177,326

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

**SHORT-TERM DEBT**

**Tax Anticipation Note**

Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Board of Selectmen at the May 1, 2006 meeting to authorize the Treasurer to borrow up to \$3,399,500 on an "as needed basis" to be due on or before December 31, 2006. A total of \$3,300,000 was drawn, between April and September 2006, and the outstanding principal and interest was paid on or before November 17, 2006. The total interest paid on this note was \$46,185. Since there is no beginning or ending balance at December 31, 2005 and 2006, respectively, it has not been included on the debt note below.

**LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 2,326,667	350,000	365,833	2,310,834	490,833
Compensated absences payable	14,724	28,308	31,265	11,767	-
<b>Governmental activity <u>long-term liabilities</u></b>	<b><u>\$ 2,341,391</u></b>	<b><u>378,308</u></b>	<b><u>397,098</u></b>	<b><u>2,322,601</u></b>	<b><u>490,833</u></b>

**Bonds Payable**

Bonds payable at December 31, 2006 are comprised of the following:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Balance December 31, 2006</u>
Governmental activities:					
1993 Capital improvement bond	05/27/93	11/01/08	600,000	5.30-5.75%	\$ 80,000
1997 Revaluation bond	05/29/97	11/01/17	175,000	5.14-5.24%	17,500
2000 General obligation bond	05/25/00	11/01/10	1,209,800	5.281-5.406%	510,000
2003 General obligation bond	05/22/03	11/01/10	840,000	2.291-3.166%	590,000
2004 General obligation bond	10/28/04	11/01/16	700,000	1.00-9.00%	583,334
2004 General obligation bond	11/22/04	11/29/09	300,000	5.70%	180,000
2006 Capital improvements bond	10/26/06	11/01/11	350,000	2.05-5.45%	350,000
<b><u>Total bonds payable</u></b>					<b><u>\$ 2,310,834</u></b>

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

**LONG-TERM LIABILITIES, CONTINUED**

The annual requirements to amortize all debt outstanding as of December 31, 2006 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 490,833	97,855	588,688
2008	483,334	76,720	560,054
2009	488,333	55,590	543,923
2010	428,334	34,754	463,088
2011	128,333	17,717	146,050
2012-2016	291,667	37,357	329,024
<b>Total</b>	<b>\$ 2,310,834</b>	<b>319,993</b>	<b>2,630,827</b>

All governmental activities long-term debt requirements are paid by the general fund.

**Debt authorized but unissued** – At the 2004 Town meeting, \$50,000 was authorized to be borrowed for failed septic system remediation.

**STATUTORY DEBT LIMIT**

The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2006, the Town was in compliance with these restrictions.

**OVERLAPPING DEBT**

The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town is summarized as follows:

<u>Units</u>	<u>Net debt outstanding at December 31, 2006</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$ 10,230,000	4.354%	445,445
MSAD 75	21,157,590	18.7% / 37.2%	7,872,739

A portion of MSAD 75 debt, which is supported by the State of Maine, is only 18.7% applicable to the Town of Harpswell; the Town share of all other debt of the district is 37.2%. The Town's proportionate share of the County and District debt is paid through annual assessments.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**INTERFUND TRANSFERS**

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Individual fund transfers for the year ended December 31, 2006 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General fund</u>	<u>\$ 557,255</u>	<u>3,401</u>
Special revenue funds:		
Restricted grants	3,401	-
Recreation	-	7,255
<u>Total special revenue funds</u>	<u>3,401</u>	<u>7,255</u>
Capital projects fund:		
Road projects	-	550,000
<u>Total capital projects fund</u>	<u>-</u>	<u>550,000</u>
<b><u>Total transfers</u></b>	<b><u>\$ 560,656</u></b>	<b><u>560,656</u></b>

These operating transfers were budgeted transfers to fund certain activities.

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**RESTRICTED GRANTS**

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The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2006 fund balance restricted grants consisted of the following awards, at December 31, 2006:

	<u>Balance beginning of year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers to General Fund</u>	<u>Balance end of year</u>
<b><u>Grant Award</u></b>					
Small community block grant	\$ 463	10,851	10,000	464	850
Oil tank repl. – reimbursed admin.	7,431	-	-	-	7,431
Overboard discharge	11,647	52,975	54,408	2,937	7,277
Planning brochures	2,750	-	2,498	-	252
William Wharton Grant	-	10,000	-	-	10,000
<b><u>Total restricted grants</u></b>	<b><u>\$ 22,291</u></b>	<b><u>73,826</u></b>	<b><u>66,906</u></b>	<b><u>3,401</u></b>	<b><u>25,810</u></b>

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**BUDGETED USE OF SURPLUS**

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During the year ended December 31, 2006, the Town budgeted to utilize prior year undesignated fund balance as a budgeted use of surplus. The amount consists of the following:

2005 Carry forward balance	\$ 538,714
Current year	204,000
<b><u>Total</u></b>	<b><u>\$ 742,714</u></b>

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**UNRESERVED FUND BALANCE – DESIGNATED FOR SUBSEQUENT YEARS**

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At December 31, 2006, portions of the general fund balance were designated for future periods and are reported as a component of unreserved fund balance. They consist of the following:

<u>Fund</u>	<u>Designated balance</u>
Planning office contracted services	\$ 5,000
Harbormaster	1,300
Town landings	3,000
MSAD withdrawal	5,459
Road maintenance	22,371
Forest fire and fire police services	5,710
Dry hydrants	2,982
A. Dennis Moore recycling center/transfer station capital	101,407
Orr’s Island/Bailey’s Island fire capital	10,827
Cundy’s Harbor fire capital	21,053
Harpswell Neck fire capital	25,000
Land acquisition	1,279
Vehicle replacement	29,500
Assessing updates	20,235
HCBC digital conversion	15,000
Cemetery	950
Repeater	5,100
Boat and motor replacement	10,000
Voting machines	6,300
Copier	2,500
Town landing signage	2,758
Self-insurance reserve	3,875
Salary survey	3,500
Geographic information systems	2,976
Marine hazards	18,522
Failed septic system	14,272
Mitchell Field hazards	13,055
Mitchell Field deeds – pipeline transfer	1,500
Mitchell Field legal – pipeline transfer	5,000
Mitchell Field gift and planning process	7,000
Mitchell Field annual maintenance reserve	8,236
<u>Boundary survey</u>	<u>2,662</u>
Plus contingency	68,496
<b><u>Total designated fund balance – General Fund</u></b>	<b><u>\$ 446,825</u></b>

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**CONTINGENT LIABILITIES**

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**Litigation** - The Town is subject to certain legal proceedings which arise in the normal course of business. In the opinion of management, the Town has defensible positions in any/all pending cases. Further, any future liabilities are covered by insurance or will not materially affect the financial position of the Town.

**State and Federal Grants** - The Town participates in numerous state and federal programs which are governed by various rules and regulations imposed by the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any moneys received may be required. There are no material contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2006.

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**MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION PLAN**

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**Description of the Plan** - The Town contributes to the Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The contribution rates of plan members and the Town of Harpswell are established and may be amended by the Maine State Retirement Board of Trustees. The Town's contributions to the Maine State System Consolidated Plan for the year ended December 31, 2006 and 2005 were \$4,199 and \$3,942, respectively equal to the required contributions.

Effective March 14, 1998, this benefit is no longer available to new Town employees. Those employees already in the plan may continue under the same terms or may terminate and join the deferred compensation plan.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**DEFERRED COMPENSATION PLAN**

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The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all full and regular part time employees of the Town who work 20 hours or more per week on a regularly scheduled basis and who are not already participating in another plan. Under the plan, employees may elect to defer a portion of their salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contribution to this plan for the year ended December 31, 2006 was approximately \$16,900. The total Town contributions included a special one-time payment to compensate employees for untimely submission of contributions during the fiscal year. This was approved by the Board of Selectmen and was paid on December 15, 2006. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

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**RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES**

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The Town offers its recycling center employees a pension plan through the I.A.M. National Pension Fund.

The Town contributes on behalf of eligible employees of the recycling center who have worked during the plan year. There are no voluntary contributions by the employees allowed in this plan. The Town's expense under the plan for the year ended December 31, 2006 was \$13,131. This represented \$12,890 in regular contributions, and \$242 in accounts payable relating to a retroactive adjustment.

The funds contributed by the Town to the plan are held in trust by the I.A.M. National Pension Fund for the exclusive use of benefit participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

## **GENERAL FUND**

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

**TOWN OF HARPSWELL, MAINE**  
**Comparative Balance Sheets**  
**General Fund**  
**December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,483,569	3,239,549
Receivables:		
Taxes	555,686	460,922
Tax liens and acquired properties	47,954	40,217
Other	34,379	34,412
Prepaid items	14,247	12,640
<b>Total assets</b>	<b>\$ 4,135,835</b>	<b>3,787,740</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	95,485	86,013
Taxes paid in advance	10,984	3,469
Deferred revenues	184,000	145,000
Interfund payables:		
Special Revenue	60,561	55,271
Capital Projects	155,625	4,476
<b>Total liabilities</b>	<b>506,655</b>	<b>294,229</b>
Fund balance:		
Unreserved:		
Designated for subsequent years expenditures	446,825	538,714
Undesignated	3,182,355	2,954,797
<b>Total fund balance</b>	<b>3,629,180</b>	<b>3,493,511</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,135,835</b>	<b>3,787,740</b>

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting)**  
**For the year ended December 31, 2006**

	<u>Budgeted amounts</u>		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 9,807,410	9,807,410	9,807,410	-
Supplemental taxes	-	-	12,346	12,346
Change in deferred property tax revenue	-	-	(39,000)	(39,000)
Interest and fees on property taxes	14,500	14,500	19,603	5,103
Excise taxes	1,045,437	1,045,437	1,043,985	(1,452)
Total taxes	10,867,347	10,867,347	10,844,344	(23,003)
Intergovernmental:				
State revenue sharing	170,000	170,000	169,969	(31)
Local road assistance	45,300	45,300	45,300	-
Homestead exemption	59,677	59,677	59,656	(21)
Tree growth	2,209	2,209	5,705	3,496
General assistance	6,210	6,210	3,800	(2,410)
Veterans exemption	2,954	2,954	2,388	(566)
Other	3,547	3,547	3,284	(263)
Total intergovernmental	289,897	289,897	290,102	205
Fines and violations	2,000	2,000	21,870	19,870
Miscellaneous:				
Interest earned	35,000	35,000	123,474	88,474
Cable TV franchise fee	45,000	45,000	49,725	4,725
Licenses, fees and permits	98,150	98,150	117,318	19,168
Recycling center and disposal fees	170,140	170,140	201,249	31,109
Donations and gifts	-	-	10,539	10,539
Donations and gifts - special	7,000	7,000	7,000	-
Unclassified	4,553	4,553	7,165	2,612
Total miscellaneous	359,843	359,843	516,470	156,627
Total revenues	11,519,087	11,519,087	11,672,786	153,699

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting), Continued**  
**For the year ended December 31, 2006**

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures:							
General government:							
22	Elected officials	-	112,137	112,137	111,296	841	-
23	General administration:						
	Administration	-	258,962	258,962	227,416	31,546	-
	Assessing	-	84,401	84,401	76,113	8,288	-
	Public information	-	11,000	11,000	7,696	3,304	-
25	Tax collector's office	-	32,659	32,659	27,811	4,848	-
26	Town clerk's office	-	49,018	49,018	43,655	5,363	-
27	Code enforcement	-	110,339	110,339	108,662	1,677	-
28	Planning	-	67,950	67,950	56,085	11,865	5,000
29	Treasurer	-	2,250	2,250	1,157	1,093	-
30	Employee benefits	-	252,500	252,500	245,893	6,607	-
31	Risk management	-	48,287	48,287	44,269	4,018	-
32	Legal services	-	50,000	50,000	35,450	14,550	-
54	Withdrawal committee	-	50,000	50,000	44,541	5,459	5,459
33	Membership	-	12,976	12,976	12,976	-	-
34	Committees & commissions	-	4,820	4,820	3,397	1,423	-
35	Operations and maintenance:						
	Municipal buildings and property	-	64,300	64,300	62,677	1,623	-
	Old town house & commons	-	3,465	3,465	2,804	661	-
	Town clean up	-	1,000	1,000	-	1,000	-
	Town dock	-	1,500	1,500	450	1,050	-
	Mackerel cove / town landing	-	6,200	6,200	2,870	3,330	3,000
	Total general government	-	1,223,764	1,223,764	1,115,218	108,546	13,459
Public works:							
36	Public works:						
	Snow removal & street signs	-	365,000	365,000	357,614	7,386	-
	Maintenance	16,828	85,000	101,828	79,457	22,371	22,371
37	Recycling and transfer station	-	382,693	382,693	349,658	33,035	-
	Total public works	16,828	832,693	849,521	786,729	62,792	22,371
Protection and safety:							
38	Emergency services	7,281	173,950	181,231	175,521	5,710	5,710
CF	Dry hydrant development	5,005	-	5,005	2,023	2,982	2,982
39	Law enforcement and communication	-	284,810	284,810	284,810	-	-
40	Shellfish conservation enforcement	-	151,864	151,864	136,207	15,657	-
41	New Meadows River Watershed	-	1,000	1,000	1,000	-	-
42	Street lighting	-	28,380	28,380	26,965	1,415	-
43	Harbor management	-	41,745	41,745	33,947	7,798	1,300
44	Animal control	-	22,388	22,388	20,098	2,290	-
	Total protection and safety	12,286	704,137	716,423	680,571	35,852	9,992
Health and welfare:							
45	Health and welfare	-	29,580	29,580	26,119	3,461	-
	Total health and welfare	-	29,580	29,580	26,119	3,461	-
Cultural and recreation:							
46	Curtis memorial library	-	101,776	101,776	101,776	-	-
46	Cultural and education programs	-	26,200	26,200	26,070	130	-
40	Harpswell community broadcasting	-	40,000	40,000	40,000	-	-
48	Recreation - general	-	24,040	24,040	23,611	429	-
	Total cultural and recreation	-	192,016	192,016	191,457	559	-

\* Contingency transfers approved by selectmen: Emergency services \$3,703; Law enforcement and communications \$187; Capital roads projects \$9,875

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting), Continuec**  
**For the year ended December 31, 2006**

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures, continued:							
52	A. Dennis Moore recycling / Transfer St.	63,007	45,000	108,007	6,600	101,407	101,407
Other capital / carryovers:							
38	OB fire capital	18,975	35,000	53,975	43,148	10,827	10,827
38	CH fire capital	19,523	25,000	44,523	23,470	21,053	21,053
38	HN fire capital	-	25,000	25,000	-	25,000	25,000
CF	Land acquisition	1,279	-	1,279	-	1,279	1,279
50	Vehicle replacement	17,500	12,000	29,500	-	29,500	29,500
25	Update of assessing records	20,235	-	20,235	-	20,235	20,235
CF	Assessing software	4,621	-	4,621	4,100	521	-
CF	Town office project	343	-	343	343	-	-
50	HCBC digital conversion	10,000	5,000	15,000	-	15,000	15,000
CF	Cemetery restoration	950	-	950	-	950	950
CF	Software upgrade	1,024	-	1,024	197	827	-
CF	Repeater	5,100	-	5,100	-	5,100	5,100
50	Boat and motor replacement	7,000	3,000	10,000	-	10,000	10,000
50	Voting machines	3,300	3,000	6,300	-	6,300	6,300
50	Copier	-	2,500	2,500	-	2,500	2,500
Special projects / carryovers:							
CF	Town landing signage	13,358	-	13,358	600	12,758	2,758
31	Self insurance reserve	5,971	-	5,971	2,096	3,875	3,875
Spec.	Salary survey	-	4,000	4,000	500	3,500	3,500
CF	Planning office projects	877	-	877	-	877	-
CF	GIS	2,976	-	2,976	-	2,976	2,976
CF	Marine hazards	18,522	-	18,522	-	18,522	18,522
CF	Failed septic systems	14,956	-	14,956	684	14,272	14,272
CF	Mitchell field - maintenance and operations	10,424	-	10,424	4,127	6,297	-
10	Mitchell field - hazard materials removal	-	20,000	20,000	6,945	13,055	13,055
CF	Mitchell field - deeds	1,500	-	1,500	-	1,500	1,500
CF	Mitchell field - legal	5,000	-	5,000	-	5,000	5,000
	Mitchell field - gifts	-	7,000	7,000	-	7,000	7,000
CF	Mitchell field - annual maintenance reserve	8,236	-	8,236	-	8,236	8,236
CF	Boundary survey	2,662	-	2,662	-	2,662	2,662
Total capital and special projects		257,339	186,500	443,839	92,810	351,029	332,507
62	Debt service	-	513,300	513,300	511,316	1,984	-
53	Contingency	52,261	30,000	82,261	13,765 *	68,496	68,496
Total budgeted expenditures		338,714	3,711,990	4,050,704	3,417,985	632,719	446,825
Other expenditures:							
	Educational appropriation	-	6,998,238	6,998,238	6,998,238	-	-
	County tax	-	840,931	840,931	840,931	-	-
	Overlay / abatements	-	164,673	164,673	70,049	94,624	-
Total other expenditures		-	8,003,842	8,003,842	7,909,218	94,624	-
Excess (deficiency) of revenues over (under) expenditures		(338,714)	(196,745)	(535,459)	345,583	881,042	(446,825)
Other financing sources (uses):							
51	Proceeds from long term debt	-	350,000	350,000	350,000	-	-
51	Transfer to Capital Projects - road projects	(200,000)	(350,000)	(550,000)	(550,000)	-	-
49	Transfer to Recreation fund - programs	-	(7,255)	(7,255)	(7,255)	-	-
	Transfer from Grant funds	-	-	-	3,401	3,401	-
64	Use of undesign. fund balance - budget	-	150,000	150,000	-	(150,000)	-
54	Use of undesign. fund balance - withdrawal comm.	-	50,000	50,000	-	(50,000)	-
Spec.	Use of undesign. fund balance - salary study	-	4,000	4,000	-	(4,000)	-
	Use of carryforward balances	538,714	-	538,714	-	(538,714)	-
Total other financing sources (uses)		338,714	196,745	535,459	(203,854)	(739,313)	-
Net change in fund balance		-	-	-	141,729	141,729	(446,825)
Fund balance, beginning of year, as restated					3,487,451		
<b>Fund balance, end of year</b>					<b>\$ 3,629,180</b>		

\* Contingency transfers approved by selectmen: Emergency services \$3,703; Law enforcement and communications \$187; Capital roads projects \$9,875

## **OTHER GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE FUNDS**

Special revenue funds account for specific resources, the expenditure of which are restricted by law or administrative action for particular purposes.

Special revenue funds are established for the following purposes:

#### **Restricted Grants**

The purpose of this fund is segregate state and federal awards whose purpose is restricted by the agency providing the funds.

#### **Recreation**

To account for various recreation fees and related expenditures.

### **NONMAJOR CAPITAL PROJECT FUNDS**

Capital projects funds are established to account for resources obtained and expended for the acquisition of major capital facilities and projects.

The Town's individual capital project funds were established for the following purposes:

#### **Road Projects**

To account for various funds appropriated by Town Meeting for the reconstruction of existing roadways.

**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2006**

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Road Projects	
<b>ASSETS</b>				
Interfund receivables	\$ 25,810	34,751	155,625	216,186
<b>Total assets</b>	<b>\$ 25,810</b>	<b>34,751</b>	<b>155,625</b>	<b>216,186</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Deferred revenues	-	5,255	-	5,255
Total liabilities	-	5,255	-	5,255
Fund balances:				
Unreserved, reported in:				
Special revenue fund	25,810	29,496	-	55,306
Capital project fund	-	-	155,625	155,625
Total fund balances	25,810	29,496	155,625	210,931
<b>Total liabilities and fund balances</b>	<b>\$ 25,810</b>	<b>34,751</b>	<b>155,625</b>	<b>216,186</b>

**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended December 31, 2006**

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Road Projects	
Revenues:				
Intergovernmental	\$ 73,826	-	-	73,826
Charges for services	-	34,684	-	34,684
<b>Total revenues</b>	<b>73,826</b>	<b>34,684</b>	<b>-</b>	<b>108,510</b>
Expenditures:				
For designated purpose	66,906	41,015	-	107,921
2004 capital roads project	-	-	18,997 *	18,997
2006 capital roads project	-	-	394,375	394,375
<b>Total expenditures</b>	<b>66,906</b>	<b>41,015</b>	<b>413,372</b>	<b>521,293</b>
Excess (deficiency) of revenues over (under) expenditures	6,920	(6,331)	(413,372)	(412,783)
Other financing sources (uses):				
Transfers (to) from general fund	(3,401)	7,255	550,000	553,854
<b>Total other financing sources (uses)</b>	<b>(3,401)</b>	<b>7,255</b>	<b>550,000</b>	<b>553,854</b>
Net change in fund balances	3,519	924	136,628	141,071
Fund balances, beginning of year, as restated	22,291	28,572	18,997	69,860
<b>Fund balances, end of year</b>	<b>\$ 25,810</b>	<b>29,496</b>	<b>155,625</b>	<b>210,931</b>

\* Contingency transfer approved by selectmen: Capital roads projects \$9,875

**TOWN OF HARPSWELL, MAINE**  
**Statement of Taxes and Liens Receivable**  
**December 31, 2006**

<b>Year</b>	<b>Balance at 12/31/05</b>	<b>2006 Commitment</b>	<b>Supplemental Taxes</b>	<b>Collections</b>	<b>Abatements</b>	<b>Balance at 12/31/06</b>
pre 2002 *	\$ 5,829	-	-	-	-	5,829
2003	2,195	-	-	(617)	-	1,578
2004	32,720	-	-	(30,625)	-	2,095
2005	460,392	-	12,346	(377,595)	(56,691)	38,452
2006	-	9,807,410	1,172	(9,239,538)	(13,358)	555,686
	<b>501,136</b>	<b>9,807,410</b>	<b>13,518</b>	<b>(9,648,375)</b>	<b>(70,049)</b>	<b>603,640</b>
					Taxes receivable	555,686
					Tax liens and acquired properties	47,954
				<b>Total</b>		<b>\$ 603,640</b>

\* includes tax acquired property